

FISCAL NOTE

HB 421 - SB 1727

March 17, 2005

SUMMARY OF BILL: Extends sales tax exemption on the sale of motor vehicles to members of the U.S. armed forces or National Guard, regardless of where the individual is stationed, if such member is a citizen of Tennessee and whose home record at the time of entry into military service was determined to be Tennessee.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Net Impact - \$7,040,000

Decrease Local Govt. Revenues – \$207,400

Assumptions:

- According to the U.S. Department of Defense, there are approximately 27,000 individuals serving in the military who are citizens of Tennessee.
- Vehicle turnover rate is every five (5) years.
- Average price of a new vehicle is \$18,000.
- Number of vehicles purchased annually is 5,400 (27,000 individuals ÷ 5 years = 5,400 vehicles).
- Estimated tax base is approximately \$97.2 million (5,400 vehicles X \$18,000 price = \$97.2 million).
- Decrease in state revenues resulting from 7% state rate exemption is estimated at \$6.8 million (\$97.2 million X 7% = \$6,804,000).
- Decrease in state revenues from the 2.75% single article tax is estimated at \$237,600 (5,400 vehicles X \$1,600 X 2.75% rate = \$237,600).
- Net impact to state revenues is estimated as a decrease of \$7,040,000 (\$6.8 million + \$237,600 = \$7,037,600).
- Local sales tax cap average is \$38.40.
- Decrease in local government revenues is estimated at \$207,400 (5,400 vehicles X \$38.40 = \$207,360).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director